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ACTION EB-08

INFO	LOG-00	COPY-01	ADS-00	AID-00	INR-10	SS-00	CIAE-00
	DINT-05	DODE-00	H-01	ARA-00	NSAE-00	COME-00	SSO-00
	L-03	TRSE-00	PM-10	OPIC-07	CEA-01	OMB-01	STR-20
	INRE-00	FRB-03	OES-09	ACDA-12	USIE-00	JUSE-01	SP-02
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C O N F I D E N T I A L BOGOTA 00770

E.O. 12356: DECL: OADR
TAGS: EPET, EINV, KALR, CO
SUBJECT: FURTHER/ON GOC CONTROL OF NEW OIL PIPELINES
REF: BOGOTA 0610

1. CONFIDENTIAL - ENTIRE TEXT

2. SUMMARY: MINISTER DUQUE HAS CONFIRMED THAT DECREE 128 (REFTEL) APPLIES TO THE CANO LIMON-COVENAS PIPELINE. THREE INDEPENDENT LAW FIRMS ARE STUDYING THE DECREE, AND OCCIDENTAL MAY SUE THE GOC. OCCIDENTAL SAYS THE GOC ACTION COULD AFFECT 1.3 BILLION IN LOANS AND MIGHT DISCOURAGE INVESTMENT BY OIL COMPANIES. THIS MAY BECOME A SERIOUS BILATERAL ISSUE. END SUMMARY

3. OCCIDENTAL GENERAL MANAGER ED QUINONES HAS NOT/NOT BEEN ABLE TO MEET WITH MINES AND ENERGY MINISTER DUQUE, BUT DID TALK TO HIM BY TELEPHONE. THE ONLY INFORMATION QUINONES GOT FROM THE MINISTER WAS THAT DECREE 128, WHICH GIVES ECOPETROL OPERATIONAL CONTROL OF ALL OIL PIPELINES AND TERMINALS WHICH
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BEGIN OPERATION AFTER JANUARY 11 (REFTEL), DOES INDEED APPLY TO THE CANO LIMON-COVENAS PIPELINE.

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UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: OSCAR J. OLSON
DATE/CASE ID: 5 NOV 2002 200201334
CLASSIFICATION: CONFIDENTIAL REASON: 1.6(6)
DECLASSIFY AFTER: 16 JAN 2011

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4. OCCIDENTAL OFFICIALS ARE VERY CONCERNED ABOUT THE IMPLICATIONS OF THE DECREE, WHICH THEY CHARACTERIZE AS BEING EQUIVALENT TO BUYING A NEW CAR BUT NOT GETTING THE KEYS. AS ONE OXY OFFICER SAID, "WHAT GOOD IS OWNERSHIP WITHOUT CONTROL." OCCIDENTAL HAS ENGAGED THREE INDEPENDENT LAW FIRMS TO REVIEW THE DECREE TO DETERMINE IF IT CONSTITUTES A BREACH OF THE 1984 PETROLEUM LAW. THE RESULTS OF THESE REVIEWS SHOULD BE AVAILABLE EARLY NEXT WEEK. IF THE LAWYERS FIND THE DECREE IS CONTRARY TO THE PETROLEUM LAW, OCCIDENTAL MAY BRING SUIT AGAINST THE GOC.
5. OCCIDENTAL ASSISTANT TREASURER MIKE MILLER TOLD ECON COUNSELOR THAT AS MUCH AS 1.3 BILLION DOLLARS IN LOANS TO COLOMBIA (THE ONE BILLION JUMBO LOAN PLUS 300 MILLION IN OTHER LOANS TO ECOPETROL) COULD BE AFFECTED BY THE DECREE. HE NOTED THAT OXY HAS ACTED AS INTERMEDIARY FOR A NUMBER OF LOANS TO THE GOC AND SAID INTERNATIONAL LENDERS GET VERY NERVOUS WHEN A CLIENT GOVERNMENT IS SUED BY A MAJOR MULTI-NATIONAL CORPORATION. HE ALSO THOUGHT THE GOC ACTION WOULD DISCOURAGE OTHER OIL COMPANIES FROM INVESTING IN COLOMBIA.
6. MILLER ALSO SAID THAT THE MAIN CONCERN ABOUT ECOPETROL CONTROL OF THE PIPELINE IS THE INVOLVEMENT OF THE ECOPETROL UNION (THE USO--AN INDEPENDENT, LEFTIST PETROLEUM LABOR UNION).

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